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LIFE AFTER THE FIRST $100 MILLION
The Fantastic World of Tom Monaghan

THE *HOTTEST* ENTREPRENEUR IN AMERICA

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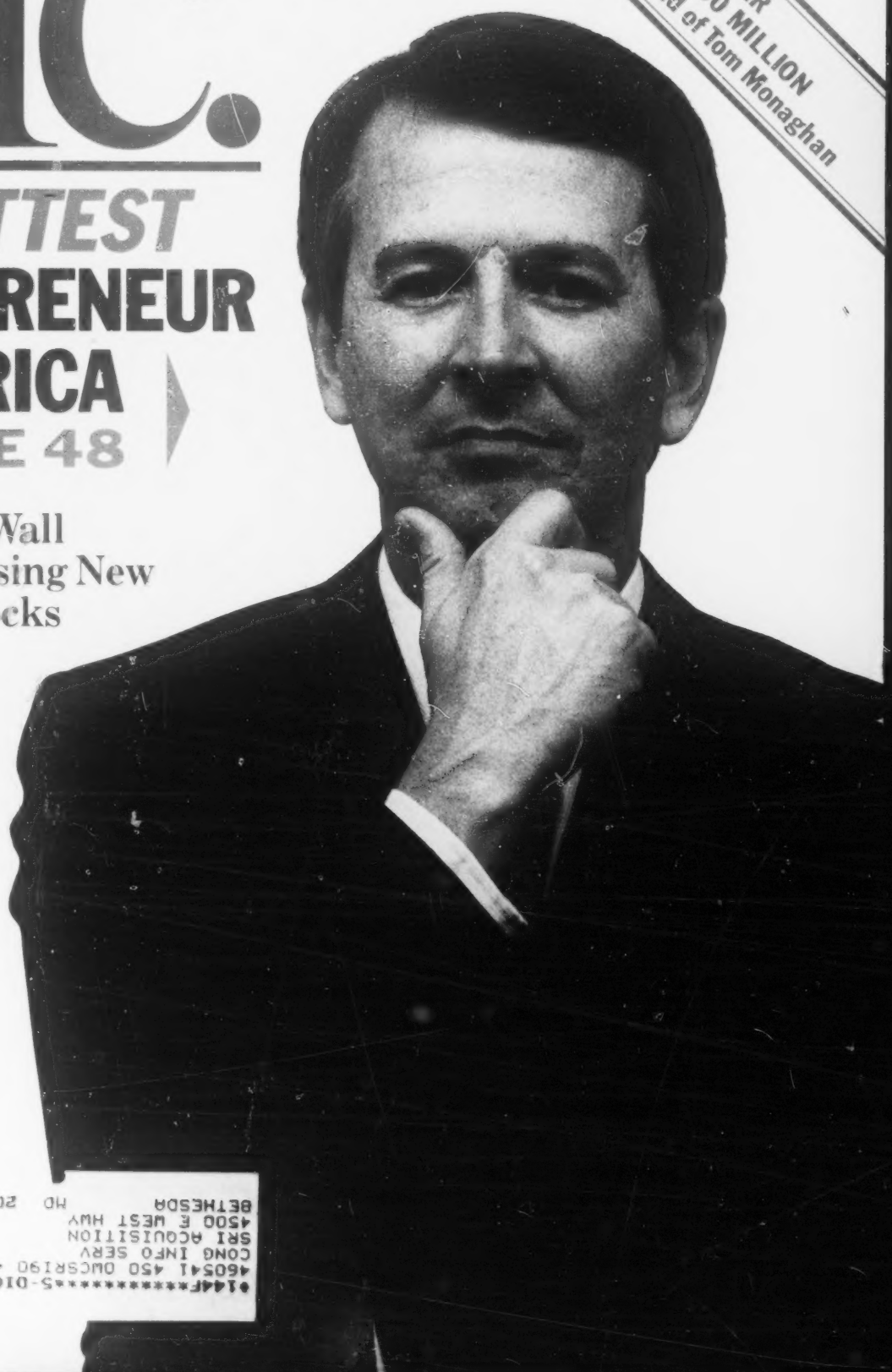
Going Public: Wall Street's Surprising New "Glamour" Stocks

Learning the Language of Cost Control

How To Sell (Almost) Anything: Confessions of a Super Salesman



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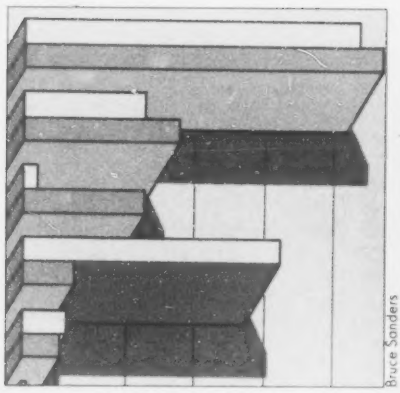

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Cover photo
Jerry Jones

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that could bankrupt the company.

But then someone had a bright idea. Would it really work to turn Delmar Skate Park into a Boy Scouts of America post?

"We had exhausted our approaches," says Dorothy Doan, owner of Pelican Properties. "We went to high-risk insurers, to everybody—there was simply nowhere to turn." When a newspaper article reminded her of the Boy Scouts' sponsorship of "chartered organizations," Doan saw one last chance for Delmar. She proposed to a division of the San Diego County Council of the Boy Scouts of America that the skateboard park be brought back to life as a Boy Scout post. It would give the park liability insurance—*free* liability insurance, covered by a portion of each Scout's registration fee, worth $40,000 under the council's master policy.

The Boy Scouts bit: what better way to expose the manic skateboard crowd to the gentler influences of Scouting? Now those who come to the gate with a skateboard—females 14 and over, males 8 to 20—have to join the Boy Scouts before they're allowed in the park. They're also encouraged to attend biweekly meetings and to earn merit badges in such activities as skateboard building, skate safety, and fitness.

How far could this approach go? Something tells us it won't work for toxic-waste-disposal companies.

—Nell Margolis

"Family business—talk about Greek tragedies revisited. I swear, the typical founder of a family business would have no problems whatsoever if he could be immortal and celibate."

—Léon A. Danco, The Center for Family Business, Cleveland

As the muggy Washington, D.C., summer of 1927 fizzled out, so did sales at two A&W root-beer stands. So the owners decided to

add Mexican food. One checked out the idea with A&W, while his wife and his partner kept shop. A&W had no reservations, but the three still had to unwrap the mystery of hot tamales, which they had never made. To get some tips, the couple went to the chef at the Mexican embassy. Allie and Bill Marriott left with stacks of recipes, and the root-beer stands became the first of The Hot Shoppes.

SCORECARD

Black-Owned Businesses

By Virginia Inman

When it comes to black entrepreneurs, there's good news and bad news. Black Americans are creating new businesses at a much faster pace

ROLAND FREEMAN

Washington, D.C., architects Robert E. Bryant (left) and Charles I. Bryant

than the economy as a whole. From 1977 to 1982, according to a Census Bureau study, the number of black-owned companies increased 47%, almost twice the growth in the total number of nonfarm businesses.

The bad news is that black-owned companies are tiny. In 1982, 89% of the 339,239 black companies had no paid employees, compared with about 40% of all businesses. And 63% had less than $10,000 in sales. Despite a 33% jump over the five-year period, the rate of black entrepreneurship remained low—in 1982, there were 12 black-owned firms per 1,000 blacks, compared with 63 companies per 1,000 people in the total population.

"What this says is that we've got a very large number of firms that really aren't firms at all," says James H. Lowry, president of a Chicago consulting firm of the same name. "More blacks are looking at business as a way out, but the vast majority of these firms are owned by people who have jobs and are doing something on the side." The 231% rise in "nonstore retailing," which includes selling from home, supports this analysis, especially since these retailers averaged less than $5,000 in 1982 sales.

More full-fledged businesses may be on the way, however. Two decades have passed since a large number of companies opened their doors to black managers. Many people who entered those jobs then "have gotten to the point where they're not going to go any higher. They are at the prime entrepreneurial age, about 40," says Paul Pryde, chairman of Pryde, Roberts & Co., a Washington, D.C., economic consulting firm. While the Census doesn't note ages, there is one indication that black professionals are going out on their own—a 41% jump in the number of black law firms.

Ten states saw the number of black companies grow faster than 60% over the five years surveyed. Mostly west of the Mississippi, they include such entrepreneurial hotbeds as Arizona, Colorado, and California. The list excludes states that had fewer than 250 black-owned businesses in 1977.

INSIDER (continued)

State	# cos. 1982	# cos. 1977	% change	1982 sales ($000)
Arizona	1,473	768	91.8%	$41,772
Minnesota	1,238	654	89.3	87,632
Colorado	2,537	1,372	84.9	88,118
Washington	2,433	1,353	79.8	70,955
Nevada	735	420	75.0	31,498
Maryland	15,601	8,994	73.5	540,256
New Mexico	555	325	70.8	15,270
Texas	29,927	17,912	67.1	888,794
California	44,658	26,756	66.9	1,619,839
Florida	16,577	10,344	60.3	616,913
U.S. total	339,239	231,203	46.7	12,443,572

BACK TO BASICS

The high-tech boom went bust, and investors started looking for managers with proven track records, and flocking to companies like Roto-Rooter and OshKosh B'Gosh.

BRUCE G. POSNER

Back in 1983, when the market for initial public offerings roared, the roster of best-selling new issues read like a venture capitalist's fantasy. Scores of young companies named Bio-this and Micro-that were raising money at prices that harkened back to the go-go years of the late 1960s. No matter that many of the businesses were embryonic and expecting to *lose* money for several years. Investors seemed convinced that, with the right amount of cash, these fledgling enterprises were going to transform the way we work and live.

How swiftly things change. The 1983 market is a distant memory these days, and so are the visions that fueled it. Many of its most active investors are on the sidelines, licking their wounds. As for the 1985 new issues market, it looked nothing like its legendary predecessor. The exotic was out, and the mundane was in. In place of companies whose names ended in "-onics," the year's hot IPOs included an "-ooter," as in Roto-Rooter, the sewer cleaning company, an "-osh," as in OshKosh B'Gosh, the clothing maker, and an "-eese," as in Pasta & Cheese, the food packager and retailer.

To be sure, Wall Street's newfound enthusiasm for down-to-earth companies had much to do with its earlier voyage into the IPO stratosphere. During the record-shattering year of 1983, 673 companies collectively raised nearly $12.5 billion in IPOs—almost four times the amount companies had garnered in the previous record year of 1981. (These figures do not include "best efforts" issues or offerings priced below $1 a share.) In the heady aftermarket, moreover, many new issues soared, only to come crashing back to earth as the investing public lost faith in their ability to perform. Naturally, the stocks that had risen to the highest multiples had the furthest to fall. These were mainly the stocks of young technology companies, one of the more infamous examples being Diasonics Inc., an extraordinarily well-financed maker of medical diagnostic equipment. After going public at $22 a share, more than 70 times its prior year's earnings, it quickly climbed to 27¼. Within a year, however, the company was reporting losses, and its stock price had plunged to 5¼; last year, it dropped to 2½, before creeping up to around 4. A similar fate befell many other stars of the 1983 new issues market—TeleVideo Systems, Kaypro, and Seeq Technology, to name but three.

Having been bloodied to the tune of several billion dollars, many investors, institutional and otherwise, were less than eager to chase after high-tech IPOs again. During the first nine months of 1985, for instance, makers of electronic equipment and instrumentation accounted for just 2.1% of the IPO dollars raised, compared with 11.2% of the IPO dollars during 1983. Manufacturers of other kinds of machinery and computers didn't fare much better, accounting for only 2.4% of the dollars raised through mid-November 1985, versus 11.6% in 1983.

Moreover, underwriters of high-tech deals really had to *sell* their of-

WHAT WAS HOT: 1983 and 1985

Investors are a fickle bunch, and in 1985 they turned 1983 on its head.

HOT in '83	HOT in '85
black boxes	black ink
venture capital	family ownership
start-ups	established companies
Hambrecht & Quist	D. H. Blair
glitz	grit
silicon chips	chocolate chips
"multiple" madness	conservative pricing
high hopes	deep management
Sunnyvale, Calif.	Oshkosh, Wis.
creating markets	building market share
promise	performance
Diasonics	Roto-Rooter

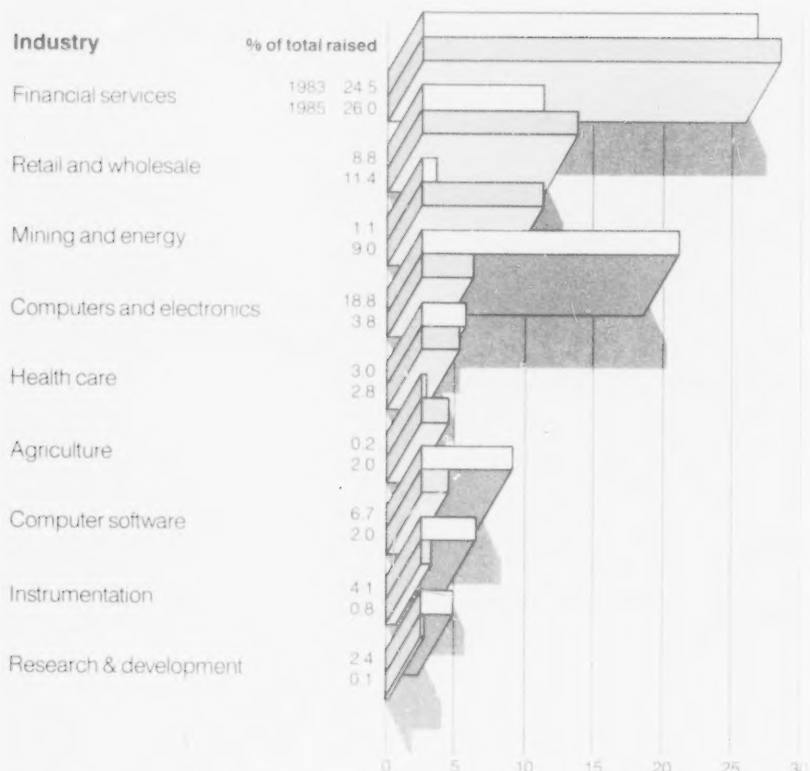
CHARTS BY BRUCE SANDERS

ferings in 1985. That was hardly the case in 1983, when "you filed the prospectus and the crowds appeared," recalls William R. Hambrecht, president of San Francisco-based Hambrecht & Quist Group, which managed 26 offerings that year. "Now he finds that investors do their homework and want to be convinced beyond a reasonable doubt that a company will make it—that is, if they are willing to listen at all."

Which is not to say that investors have been turning a deaf ear to new issues in general, or that 1985 was a bad year for IPOs. On the contrary, it was a very good one. Granted, the market started off slowly, but by mid-December companies had sold $8.1 billion of equity—more than twice what was raised in all of 1982, making 1983's the second most active year ever.

As a rule, investors tended to look most favorably on new issues of companies in changing industries—notably, financial services, including banks and health care, including health maintenance organizations. Another industry segment that picked up a big following in 1985 was retailing and wholesaling. As a group, non-food retailers and wholesalers raised 11.4% of the IPO dollars in 1985, up from 6.6% in 1984 and 8.8% in 1983. Especially popular were retail chains specializing in consumer electronics and membership discount stores that sell everything from food to lawn furniture, but only to customers who have paid a membership fee. In recent months, there were five deals in the first category and four in the second.

THE CHANGING INDUSTRY MIX: 1983 and 1985



Industries aside, the 1985 market required a more circumspect approach on the part of issuing companies. Greed was out. Unlike 1983, when company founders were almost *expected* to use their IPOs for their own enrichment, those looking for personal liquidity in 1985 were wise to be discreet. One who found that out was Austin O. Furst Jr., the 42-year-old founder and chief executive officer of Vestron Inc., a Stamford, Conn., publisher of prerecorded videocassettes. The company's preliminary prospectus, filed last September, indicated that 5.4 million shares were to be sold by the founder and an equal number by the company, raising a total of up to $205 million. After the offering, Furst would not only be richer, by about $100 million, but he would also still own 70% of Vestron's stock. This did not sit well with institutional investors. When Vestron came to market a few weeks later, the offering had been scaled down to $70.2 million, was pegged at $13 a share, instead of the original $16 to $19, and did not include *any* founder's shares.

By the same token, investors were leery of inflated price/earnings ratios. No longer could companies benefit from offerings priced at multiples of 50 or 60 times the previous year's earnings, as many had in 1983. In 1985, multiples generally ranged from 15 to 30. Many investment bankers, in fact, advised clients to *underprice* their IPOs so as to "leave something on the table" for shareholders, who would presumably show their appreciation by supporting future offerings. (All of this, of course, makes you wonder what investment bankers were telling their clients back in 1983—maybe, to take the suckers for every penny they're worth—but that's another matter.)

But what most distinguished the 1985 new issues market from its predecessors was the intensity with which investors scrutinized the companies making their initial offerings. Indeed, there were probably fewer opportunities for unproven companies to raise money in 1985 than at any other time in recent years. Investors wanted nothing to do with stunning new concepts—in marked contrast to 1983, when they "were perfectly willing to look over a four- or five-year valley," notes Barry B. Conrad, head of corporate finance at Dallas-based Rauscher Pierce Refsnes Inc. For that reason, investment bankers tended to discourage very young companies from even doing IPOs, with the result that the average age of issuing companies rose to about seven years in 1985, up from three years in 1983, and five years in 1984.

As for the companies that did well in the 1985 market, most of them offered evidence of an ability to weather difficult market conditions and to perform over time. In this regard, investors seemed to be paying particularly close attention to certain key aspects of a company's operation, including:

MANAGEMENT. One thing investors wanted was reassurance that a company's management knew where the business was going, and had the horsepower to get there. That certainly helped The Peanut

Shack of America Inc., a 10-year-old retailer based in Winston-Salem, N.C. A $13-million company, with earnings of $600,000 in fiscal 1985, Peanut Shack had placed 241 of its shops, many of them franchised units, in shopping malls located in 30 states. While most of the company's existing shops sold nuts, candy, confections, and other specialty foods, president and CEO Alan R. Kleinmaier wanted to develop two parallel chains, one selling coffee and tea, the other selling cookies.

To help in this undertaking, Kleinmaier, 39, had brought aboard several

Securities Inc., which co-managed the deal. "They showed they had energy and hustle, and the only thing they really lacked was money." Evidently, investors agreed. Peanut Shack had little trouble raising $4.8 million in its August IPO.

PROFITABILITY. Whether a company had deep management or not, investors generally insisted on evidence that it knew how to make money. A case in point is Lancer Corp., a San Antonio–based company that manufactures and sells beverage-dispensing equipment for use in restaurants and soda fountains. Since the late

growth over the past few years. By the end of 1984, its operating income had risen to 12.3%, with aftertax profits of 6.6% on sales of $19 million. It was a known quantity. "We didn't have some mysterious black box," says George F. Schroeder, 46, who co-founded the business with his older brother. "We're conservative, and our prospectus was clean. There were no inside transactions, and nobody in the company was making more than $85,000." Investors liked what they saw. In its June IPO, Lancer raised a total of $6.9 million, at a solid multiple of nearly 13 times earnings.

Steel Technologies Inc., a processor of flat-rolled steel, projected a similar image of soundness. The Louisville-based company sells mainly to the Detroit auto companies, their suppliers, and large appliance manufacturers, all of which have become increasingly demanding with regard to quality and on-time delivery. Steel Technologies had risen to the challenge, investing heavily in computerized production equipment. "We process steel to extremely stringent tolerances, to as close as one-half a *thousandth* of an inch," says Daryl A. Elser, president and chief operating officer. "So no one can really confuse us with U.S. Steel."

Nor could anyone confuse its performance with that of Big Steel. While sales were more than doubling, from $19.6 million in 1980 to $49.4 million in 1984, net earnings increased more than ninefold, from $223,000 to $2.1 million. That pleased investors, who bought out Steel Technology's $11.8-million offering at $11.75 per share—about 11 times the previous 12 months' earnings.

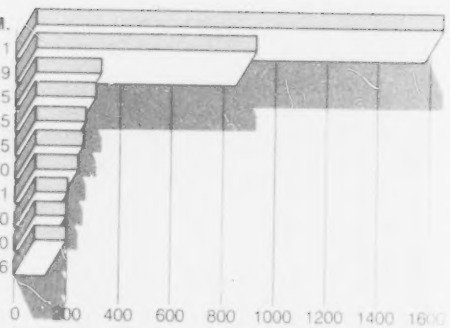
MARKET POSITION. It also helped for an issuer to be recognized as a leader in its market, or as a company with the potential to become one. Central Sprinkler Corp., for instance, is a $30-million manufacturer and distributor of automatic fire sprinklers, with a reputation among contractors for designing some of the industry's most innovative sprinkler heads and valves. The industry, moreover, is growing, thanks to the national trend toward installation of sprinkler systems in both new and old buildings. "There's hardly a high-rise building under construction in this country that doesn't have a sprinkler system in it," says chairman William J. Meyer, one of a group that acquired the company via a leveraged buyout in May 1984. And the more militant fire marshals become, the more it helps us.

The owners estimated that Central Sprinkler had a 25% to 35% share of a highly competitive domestic market. From a financial standpoint, moreover, the Lansdale, Pa., company looked strong, having earned an aftertax profit of $1.3 million (3.8% of sales) in fiscal 1984, even though its interest expenses had soared as

WHO SOLD THE DEALS?

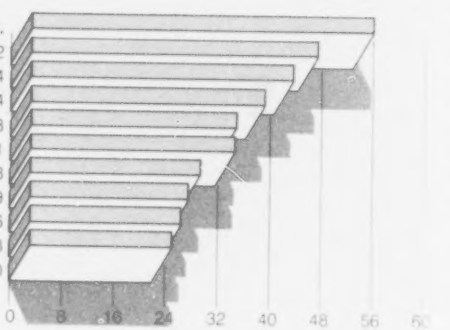
Underwriter	$M.
Goldman, Sachs	1581.1
Merrill Lynch Capital Markets	854.9
Kidder, Peabody	252.5
Dean Witter Reynolds	231.5
Salomon Bros.	193.5
Shearson Lehman Bros.	192.0
First Boston	169.1
Paine Webber	136.0
E.F. Hutton	126.0
Morgan Stanley	125.6

Source: Securities Data Co., New York, NY



Underwriter	$M.
D. H. Blair	53.2
Prudential-Bache	44.4
Goldman, Sachs	40.4
Drexel Burnham Lambert	36.3
Donaldson, Lufkin & Jenrette	32.1
E.F. Hutton	31.8
Rauscher Pierce Refsnes	26.9
Furman Selz Mager Dietz & Birney	24.6
Bear, Stearns	23.8
S. D. Cohn	22.0

Source: CompuServe Inc., Columbus, Ohio



Investment bankers slug it out among themselves for the chance to underwrite initial public offerings. Aside from the handsome fees involved, they hope to line up long-term customers who will feed them future business. The top chart shows the 10 leading underwriters of new issues during the first three quarters of 1985, while the bottom chart lists the 10 leaders for IPOs of between $1 million and $15 million during the same period. Note that only two of the firms in the overall listing—Goldman, Sachs and E. F. Hutton—appear among the leading underwriters of small issues. Indeed, several of the latter, including seventh-ranked Rauscher Pierce Refsnes Inc., are not even based in New York City.

proven managers. His general manager, for instance, had experience running his own industrial-equipment sales company for more than 10 years; his marketing vice president was a 12-year veteran of R. J. Reynolds Industries Inc.; and his chief financial officer had spent five years as an accountant with Deloitte Haskins & Sells.

"The management is young and smart," says Ed Crawford, an investment banker in the Winston-Salem office of Wheat, First

1960s, Lancer had been supporting its growth with bank debt, retained earnings, and private equity placements. It had enjoyed great success in the market as well, selling its dispensing systems to big-name beverage companies and their bottlers, including The Coca-Cola Co., which had even collaborated with Lancer on designing some of its products.

But, most important, the company could show a record of steady earnings

a result of the buyout. On the strength of that record, Central Sprinkler raised $8.3 million in its May IPO, with investors paying $12.75 per share, or about 16 times earnings of the previous year.

That was not the end of it, however, for Central had left quite a lot "on the table." By early September, its stock was trading at nearly $17, allowing Central to return to the market and raise another $17.3 million in subordinated debt at a bargain rate of 8%. The company is using the money to pay off its bank debt and to fund expansion. As for the new investors, they have the right to convert their 25-year bonds to shares of common stock as soon as the price of Central's stock reaches 20⅛.

Market strength was an equally important factor for other companies entering the public equity market—notably Roto-Rooter Inc., the $28-million business that has been cleaning America's stopped-up drains for a half century. Formerly a private company, Roto-Rooter had been acquired in 1980 by Chemed Corp., a public company in Cincinnati, which continues to own more than 60% of the business after the offering. Sewer and drain cleaning may not be the most glamorous business in the world, but neither is the need

THE BEST-PERFORMING NEW ISSUES OF 1985

Rank & Company	City & State	Offer Size ($M)	Adjusted price	Price 11/21/85	% change	Business Description
1. ENTERTAINMENT MARKETING	Houston, TX	$3.0	2	6⅛	206.3%	Distr. consumer electronics prods.
2. IDENTIX	Palo Alto, CA	5.0	4	10½	162.8	Mfr. fingerprint identification equip.
3. CONTROL RESOURCE INDUS.	Michigan City, IN	3.3	5	12¼	145.0	Devel. air filtration systs.
4. PDA ENGINEERING	Santa Ana, CA	7.3	7¼	14½	100.0	Devel. software for mechanical CAE
5. SONEX RESEARCH	Annapolis, MD	2.5	5	10	100.0	R&D on efficient combustion control
6. PRAXIS PHARMACEUTICALS	Beverly Hills, CA	4.0	1½	2 13/16	87.5	Devel. pharmaceutical compounds
7. LSI LIGHTING SYSTEMS	Cincinnati, OH	10.0	8⅓	15⅝	87.5	Mfr. outdoor lighting systs.
8. METALBANC	Miami, FL	1.1	1	1⅞	87.5	Purchase & sale of precious metals
9. CONSOLIDATED STORES	Columbus, OH	33.4	14½	27⅛	87.1	Retail close-out merchandise
10. VIDEO IMAGE	Oklahoma City, OK	1.6	1¾	3⅛	78.6	Mfr. instructional video prods.
11. AUTODESK	Sausalito, CA	15.4	11	18½	68.2	Devel. CAD software
12. INTL. AMERICAN HOMES	Union, NJ	5.4	3	5	66.7	Acquires regional home builders
13. ANITEC IMAGE TECHNOLOGY	Binghamton, NY	26.4	11	18⅛	64.8	Mfr. photographic supplies
14. AMER. CITY BUS. JOURNALS	Kansas City, MO	9.2	10½	17¼	64.3	Pub. metropolitan weekly business newspapers
15. AJ ROSS LOGISTICS	Keasbey, NJ	2.8	1	1⅝	62.5	Refurbishes, transports structural steel
16. PASTA & CHEESE	Long Island City, NY	5.0	6	9¾	62.5	Mfr. pasta products
17. BRAINTREE SAVINGS BANK	Braintree, MA	2.2	10½	17	61.9	Savings bank
18. LANCER	San Antonio, TX	6.9	9½	15¼	60.5	Mfr. beverage dispensing systs.
19. SBARRO	Melville, NY	11.9	10⅜	16½	59.0	Operates chain of Italian restaurants
20. UNION FEDERAL S&L	Los Angeles, CA	19.2	8¾	13⅞	58.6	S&L association
21. CENTRAL SPRINKLER	Lansdale, PA	8.3	12¾	19¾	54.9	Mfr. sprinkler syst. components
22. CAROLYN BEAN PUBLISHING	San Francisco, CA	3.8	6	9¼	54.2	Pub. note & greeting cards
23. NUVISION	Flint, MI	6.8	113¼	20¼	52.8	Mkts. eyewear & optical prods.
24. SALICK HEALTH CARE	Beverly Hills, CA	16.8	9⅓	14⅛	51.3	Prov. facilities & svcs. for kidney dialysis
25. FIRST FEDERAL S&L	Kalamazoo, MI	10.2	9½	14⅜	51.3	S&L association
26. H&E VENTURES	Minneapolis, MN	1.6	2	3	50.0	Devel. & mkt. computer software
27. TELECALC	Bellevue, WA	2.6	6	9	50.0	Prod. computer-based phone info. systs.
28. VIDEO DISPLAY	Stone Mountain, GA	2.4	4¾	7⅛	50.0	Mfr. cathode ray tubes
29. GRIDCOMM	Danbury, CT	3.0	6	9	50.0	Devel. LAN data transmission prods.
30. AMER. VIDEO TELECOM.	Oceanside, NY	1.0	1	1½	50.0	Mfr. software & hardware for video telec.
31. WSTRN. FED. SAVINGS BANK	Mayaguez, PR	8.2	8	11⅞	50.0	Operates a savings bank
32. CFS FINANCIAL	Fairfax, VA	8.6	9	13¼	48.4	Operates a savings bank
33. IVERSON TECHNOLOGY	McLean, VA	5.6	8	11¼	47.2	Modifies comp. prods. to customer specs.
34. ISCO	Lincoln, NB	7.7	10¼	14¼	40.6	Mfr. scientific instruments
35. BINGHAMTON SAVINGS BANK	Binghamton, NY	15.8	8¾	12	39.0	Savings bank
36. GATEWAY BANK	South Norwalk, CT	43.2	17	23⅛	37.1	Operates a savings bank
37. MILTOPE GROUP	New York, NY	9.1	13	17½	36.0	Mfr. computer peripherals for military
38. CIRCADIAN	San Jose, CA	7.8	6	8	34.6	Mfr. ambulatory ECG systs.
39. ROTO-ROOTER	Cincinnati, OH	13.5	13½	17¾	33.3	Prov. sewer, drain, pipe svcs.
40. BARRISTER INFO. SYSTS.	Buffalo, NY	6.3	9	11¾	31.5	Assembles computerized legal info. systs.
41. OSHKOSH B'GOSH	Oshkosh, WI	19.7	25	32½	30.6	Mfr. clothing
42. AMER. TECHNICAL CERAMICS	Huntington Sta., NY	7.3	6¾	8¾	29.6	Mfr. ceramic & porcelain capacitors
43. BIOCRAFT LABORATORIES	Elmwood Park, NJ	25.2	14	18⅛	29.5	Mfr. generic drug prods.
44. INTL. CONTAINER SYSTS.	Tampa, FL	3.0	5	6⅜	27.5	Devel. plastic cases for soft drink bottle
45. BRIDGE COMMUNICATIONS	Mountain View, CA	24.0	12	15¼	27.1	Supplies LAN systs.
46. APPLE BANK FOR SAVINGS	New York, NY	44.7	12¾	16	25.5	Savings bank
47. SYLVAN LEARNING	Bellevue, WA	7.7	9	11¼	25.0	Franchises child learning ctrs.
48. SANFORD	Bellwood, IL	15.3	17	21	23.5	Mfr. disposable markers
49. XL/DATA COMP	Hinsdale, IL	20.0	15	18½	23.3	Sells IBM computer systs.
50. ENGINEERED SUPPORT SYSTS.	St. Louis, MO	9.8	9¾	12	23.1	Mfr. defense systems

Does not include "best-efforts" issues or offerings for less than $1 per share.

The chart above lists the top 50 new issues during the first three quarters of 1985, ranked according to the percentage increase in share price from the stock's issue date through November 21, 1985 (the most recent date available prior to publication).

for it apt to disappear, and Roto-Rooter certainly has the name recognition needed to attract customers. In any case, investors were willing to pay a healthy 25 times earnings, as Roto-Rooter's IPO raised $13.5 million last June.

Name recognition also helped OshKosh B'Gosh Inc., a leading maker of work wear and children's clothing. Overalls may be overalls, but the Wisconsin company had managed to turn theirs into a fashion item. "It's a brand name people know," says David Coolidge, who heads the corporate finance department at William Blair & Co., headquartered in Chicago. He notes as well that the primarily family-owned company, which earned $12.8 million on 1984 sales of $137 million, "was a lot more solid than many public companies." That perception was certainly a factor as OshKosh raised $21 million in its IPO last May.

You might wonder whether last year's investors were *ever* willing to support a company that didn't have all the pieces in place. They were, but not very often. Carolyn Bean Publishing Ltd., for example, was able to do a $3.7-million IPO last July, despite the fact that it had lost $333,406 on 1984 sales of $2.3 million. In fact, it had never earned a dime during the five years of its existence.

But the San Francisco company does occupy a strong position in the fastest-growing segment of the $3-billion greeting card industry, the production and distribution of "alternative" greeting cards, and that fact weighed heavily with investors, according to investment banker Robert Fagenson, a director of Starr Securities Inc., in New York City. He points to Carolyn Bean's Sierra Club cards, its comic series by "Mrs. Bagelman," and a new line called "True Wit"—diverse products that founder Lawrence Barnett, 37, proudly maintains are "about as far away from Hallmark Cards as you can get." Investors were apparently confident that Carolyn Bean would become highly profitable once the company had money for additional personnel and better internal systems. In the greeting-card business, says Fagenson, "gross margins average 60% to 70%. And these guys understand the business as well as anyone."

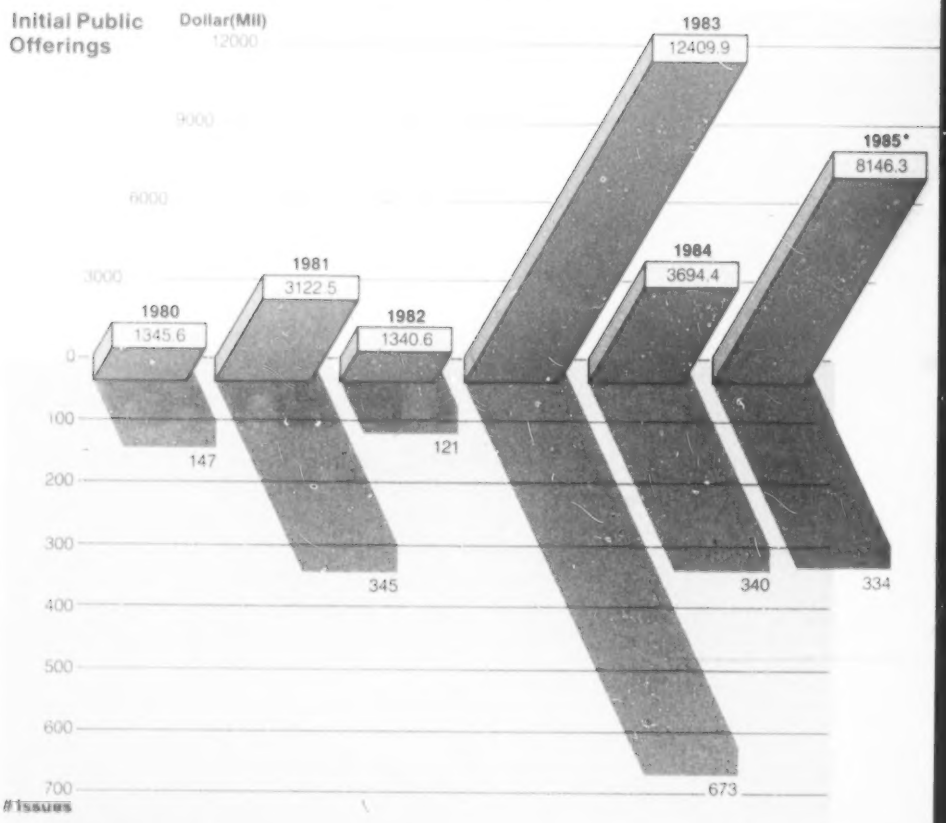
So what does all this mean to a company contemplating an initial public offering in 1986? In all likelihood, not very much. Wall Street works in capricious and curious ways. What appeals to investors during one period of time is often not what attracts them during another.

This is not to suggest that the financing "window" for, say, growing retailing companies will slam shut anytime soon. But it might—and quite possibly for reasons that have nothing to do with a company's own performance and everything to do with such factors as Wall Street's attitude toward retailing stocks in general. The only real certainty, it seems, is that investors' tastes and appetites are always changing. And when investors get bored with, or spooked by, an industry sector, they run the other way, as they ran from technology stocks in 1985.

If you wait long enough, however, the pendulum usually swings back. Some investment bankers and analysts are already beginning to wager that a new crop of technology companies will come to market with their IPOs in 1986. Once the dead wood has been cleared away, and the survivors start to perform, the market will be looking for more new technology issues, they say. "It won't be a long list, but more than we saw in 1985," predicts Richard Franvo, managing director of corporate finance at Baltimore-based Alex. Brown & Sons, which managed 21 high-tech deals in 1983 and 2 in 1985. Franvo also believes that the next batch of technology issues will have to be stronger and less speculative than their predecessors to meet the tougher standards of today's investors.

Hambrecht agrees. "We think there will be markets for good companies in 1986, but not at 1983 prices. . . . And some companies are going to have to wait." Indeed, he and many others contend that the painful memories of 1983 will continue to influence the IPO market for a long time to come. "There was so much blood spilled," he says, that it may be 10 years before all is forgotten. Why 10 years? "That's just how long it usually takes to produce a new generation of investors."

SIX YEARS OF NEW ISSUES



*As of December 13, 1985

Source: Securities Data Co, New York City

Does not include "best efforts" issues of offerings for less than $1.

The 1980s have witnessed an historic boom in initial public offerings by every measure. The chart above compares the IPO markets of 1980 through 1985 in terms of both the total dollars raised (top) and the number of new issues (bottom) for each year. (The figures do not include "best efforts" offerings, or issues priced at less than $1 per share.) Actually, 1985 was the second best year ever, while 1981 and 1984 were not far behind. They all pale in comparison to the incredible new issues market of 1983, however, when 673 companies raised a whopping $12.4 billion.